

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 /018 W
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P R 261003Z JUL 76
FM AMEMBASEY ABU DHABI
TO USDOC WASHDC PRIORITY
INFO SECSTATE WASHDC 4674 PRIORITY

LIMITED OFFICIAL USE ABU DHABI 2026

E.O. 11652: N/A
TAGS: BTIO, TC
SUBJECT: NEW CIVIL AIRPORT IN ABU DHABI

REF ABU DHABI 0397, ABU DHABI 1015, ABU DHABI 1087

1. BIDS FOR PHASE ONE (TERMINAL BUILDING) OF SUBJECT PROJECT
ARE IN MILLIONS OF DIRHAMS):
350 SODETEC (FRENCH)
375 DRAVO - AL QUEBEISI (U.S. - ABU DHABI JOINT VENTURE)
410 A JAPANESE FIRM
449 A SAUDI FIRM
DRAVO'S BID IS FOR COST PLUS A FIXED FEE. NOT KNOWN
WHETHER OTHER BIDS ARE FIXED-PRICE OR COST-PLUS, BUT WE
SUSPECT THEY ARE FIXED-PRICE.

2. RELIABLE SOURCE HAS INFORMED US THAT SHAIKH ZAYED HAS
SAID HE DOES NOT WANT FRENCH CONTRACTOR ON THIS JOB (SINCE
CONSULTANT, AEROPORT DE PARIS, IS FRENCH). SO SODETC,
WITH LOW BID, IS OUT OF THE RUNNING.

3. DRAVO IS THUS IN EXCELLENT POSITION TO WIN JOB
EXCEPT FOR FACT THAT DRAVO HAS NOT BID FIXED-PRICE.
EXPERIENCE SHOWS THAT GOVERNMENT WILL NOT AWARD
CONTRACT ON BASIS OF ANY TYPE BID OTHER THAN FIXED-
PRICE. IN DISCUSSION WITH AMBASSADOR, DRAVO REPS
EMPHASIZED THAT THEIR BID IS COST-PLUS-FIXED-FEE NOT
COST-PLUS-PERCENTAGE, BUT THIS DISTINCTION
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WILL MEAN NOTHING TO ADG. WE ARE CONFIDENT DRAVO WILL

NOT WIN THIS PROJECT UNLESS THEY MAKE THEIR BID
FIXED-PRICE.

4. BECAUSE DRAVO IS BIDDING IN JOINT VENTURE WITH A
LOCAL FIRM (51 PERCENT AL QUEBEISI, 49 PERCENT DRAVO) IT WILL HAVE
SEVERAL ADVANTAGES OVER FOREIGN FIRMS:

A. ONLY 5 PERCENT PERFORMANCE BOND IS REQUIRED - NOT THE
USUAL 10 PERCENT. FURTHERMORE, AL QUEBEISI HAS AGREED TO
POST THE ENTIRE 5 PERCENT SO NO PERFORMANCE BOND MONEY WILL
BE REQUIRED FOR DRAVO. SIMILARLY AL QUEBEISI HAS
POSTED 100 PER CENT OF THE TENDER BOND.

B. IN ADDITION TO MOBILIZATION PAYMENT (\$7 MILLION
IN THIS CASE) AVAILABLE TO ANY FIRM, LOCAL OR
FOREIGN, LOCAL FIRMS GET 25 PERCENT ADVANCE PAYMENT (\$25
MILLION IN THIS CASE.) SO DRAVO SHOULD NOT FACE THE
LIQUIDITY PROBLEMS FACED BY MOST NEW-TO-MARKET U.S. CONTRACTORS.

5. VIOWNERS OF AL QUEBEISI ARE EXTREMELY ANXIOUS FOR
DRAVO TO FIX ITS BID AT SOME VALUE BELOW 410 MILLION
DH. (JAPANESE BID). AL QUEBEISI WILL EVEN AGREE TO
GUARANTEE TO DRAVO THE PRICES OF ALL LOCALLY PUR-
CHASED ITEMS SUCH AS CONCRETE AND LABOR.

6. BID IS FOR TERMINAL BUILDING ONLY. THREE UPCOMING
PHASES FOR ELECTRIC/MECHANICAL WORKS, RUNWAYS/TAXIWAYS,
AND HANGARS/SHOPS ARE ESTIMATED TO BE WORTH ANOTHER
\$200 MILLION. FIRM WHICH WINS FIRST PHASE AND GETS
LARGE LABOR CAMP SET UP ON SITE WILL HAVE REAL INSIDE
TRACK ON SUBSEQUENT PHASES.

7. ACTION REQUESTED: GET HOLD OF POWERS-THAT-BE AT
DRAVO AND TRY TO FIND OUT WHY THEY SO RELUCTANT TO
FIX THEIR PRICE. EMBASSY HAS NOT SEEN BETTER OPPOR-
TUNITY FOR U.S. CONTRACTOR TO CRACK ABU DHABI MARKET
FOR LARGE PROJECTS GIVEN FACTS THAT:

A. NO GUARANTEE MONEY WILL BE REQUIRED OF DRAVO.

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B. LARGE ADVANCE PAYMENT WILL ELIMINATE LIQUIDITY
PROBLEMS.

C. AL QUEBEISI WILL INDEMNIFY DRAVO FOR ESCALATION
OF LOCALLY PURCHASED ITEMS.

D. SHAIKH ZAYED AND DEPT. OF PUBLIC WORKS PROJECT
ENGINEER DO NOT WANT FRENCH CONTRACTOR TO TAKE THIS

JOB. (ACCORDING TO AL QUEBEISI OWNERS IT IS WIDELY
KNOWN THAT JAPANESE BID (3) IS REALLY FRONT FOR
SODETEGYN THOUGH THIS HAS NOT BEEN PUBLICLY
ACKNOWLEDGED).

PLEASE INFORM DRAVO THAT LIKELIHOOD OF THEIR WINNING
THIS CONTRACT ON BASIS OF PRESENT COST-PLUS-FIXED-
FEE BID IS NEXT TO ZERO.
STERNER

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